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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Inquiry Concerning the Deployment of)
Advanced Telecommunications)
Capability to All Americans in a)
Reasonable And Timely Fashion, and)
Possible Steps to Accelerate)
Such Deployment Pursuant to Section 706)
of the Telecommunications Act of 1996)

CC Docket 98-146

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COMMENTS OF SBC COMMUNICATIONS INC.

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September 24, 2001

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Summary

The regulatory treatment of broadband Internet access may well be the most important single issue facing the Commission today. The Commission should take this opportunity to establish a clear and stable national regulatory paradigm that will allow the maximum growth of and maximum competition in, the market for broadband Internet access. If the Commission fails to adopt, in Chairman Powell's words, a "consistent and principled approach," regulation of this all-important industry will end up fragmented and balkanized, subject to a hodgepodge of widely different mandates established by various regulatory authorities.

This Commission has long recognized that competitive markets should be governed by market forces, not managed by regulation. Broadband Internet access is a brand new market, already characterized by many competitors, enormous capital investments, and explosive growth. Cable operators are undoubtedly dominant in this market today, but many other providers, using other technologies, are coming on fast. As the Commission has already concluded, "the preconditions for monopoly appear absent."

Allowing this market to develop unimpeded, however, requires more than simply a "hands-off" regulatory regime for cable. As the Commission, Congress and the Courts have emphasized time and again, like services must be treated alike, regardless of the name, corporate history or traditional line of business of the service provider. Broadband Internet access is the same service, whether it is provided over coax, over copper or through the air. Yet, under the Commission's current regulatory regime, telephone companies that provide this service are regulated to the hilt, while other service providers – the dominant cable providers in particular –

are left alone. The Commission must therefore use this proceeding to establish a coherent regulatory policy that equalizes treatment for a full range of broadband service providers.

The Commission can either impose the full panoply of Title II regulation on *all* broadband service providers or eliminate the onerous and intrusive unbundling requirements it continues to impose on incumbent LECs. The most logical framework is the latter. By eliminating rules that chill incumbent LECs investment in advanced service facilities, the Commission will permit true head-to-head competition between cable and telephone companies and will ensure the benefits of advanced services for millions of Americans.

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COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc., on behalf of itself and its subsidiaries (collectively, "SBC") files these Comments in response to the FCC's Third Notice of Inquiry, FCC 01-223 (Notice), on the deployment of advanced telecommunications services to all Americans, pursuant to section 706 of the Telecommunications Act of 1996 (1996 Act). The FCC (Commission) requests comments on whether deployment of advanced services to all Americans is occurring in a reasonable and timely fashion, and possible steps to accelerate such deployment.

As discussed in more detail below, and in a number of other SBC filings, there is a good deal that the Commission can do to promote the timely and widespread deployment of advanced services. Most importantly, it can, at long last, establish a comprehensive, deregulatory, national policy that applies equally to *all* providers of advanced services. Such a policy will unleash market forces and the flow of capital needed to finance the deployment of advanced services so that such services are, in fact, provided to millions of Americans.

I. Cable Remains Dominant in the Deployment of Advanced Services

It is clear from the data in the FCC's Notice that the market for advanced services, though still nascent, is growing extraordinarily fast. There has been a substantial increase in residential and small business advanced services lines and advanced services are now being deployed in all 50 states. Consumers in Zip Codes with access to high-speed services increasingly have a choice of providers – the FCC's December 2000 data shows two or more providers in 51% of the Zip Codes.

SBC has also experienced rapid growth over the past year. As of the second quarter of this year, SBC had 1.037 million DSL lines in service. In SBC's 13 state region it competes with at least 24 DSL providers and at least three alternative services platforms - most importantly cable modem but also satellite and fixed wireless - that are not dependent on access to an incumbent loop.¹

The most dominant providers of mass market advanced services, by far, are the cable companies. Since the passage of the 1996 Act, the cable industry has invested \$42 billion to deploy broadband networks to offer advanced services, such as digital video, digital music, high speed internet access, and cable telephony. The cable industry had a "head start" in the process and its cable modem service is now available to more than 73 million homes, which is about three-fourths of U.S. households passed by cable facilities.² As of the second quarter of 2001,

¹ See, Attachment A, a listing of the broadband providers in SBC's 13 state region.

² J.P. Morgan Securities, Inc. and McKinsey & Company, *Broadband 2001 – A Comprehensive Analysis of Demand, Supply, Economics, and Industry Dynamics in the U.S. Broadband Market*, April 2, 2001, at 38-39.

the National Cable and Telecommunications Association reported a total of 5.5 million cable modem subscribers in the U.S.³ For that same period, Cable DataCom News reported 5.95 million residential U.S. cable modem subscribers.⁴ Most cable subscribers are residential.⁵ Cable providers serve almost two out of every three residential broadband subscribers today.⁶

Trailing far behind cable are the DSL providers. DSL providers have invested heavily to catch up with cable's lead. As of the second quarter of this year, total DSL subscribers in the U.S. were 3.085 million, with a residential subscriber base of 2.48 million.⁷

SBC currently intends to invest \$6 billion dollars in new facilities that will increase consumer access to advanced services throughout its region. SBC is making this investment through "Project Pronto," which involves the deployment of more than 11,000 NGDLCs in order to shorten the length of copper loops and thus make DSL service available to millions of customers for whom that service was technically infeasible, because of their distance from the central office. By deploying these cutting edge facilities, SBC will almost double the number of end users in its region that may obtain DSL service – from an existing base of 40% to nearly

³ *Cable Continues Rapid Deployment of Broadband Services*, NATIONAL CABLE & TELECOMMUNICATIONS ASSOCIATION, August 13, 2001.

⁴ *Residential Broadband Customer Count Tops 10 Million*, CABLE DATACOM NEWS, September 2001.

⁵ Twenty seven percent of cable modem providers have no business subscribers, while 45 percent count business customers as less than 10 percent of their customer base. *Over 90% of Cable MSOs Now Offer Broadband Internet*, CAHNERS BROADBAND WEEK.COM, February 2001

⁶ *See High Speed Services for Internet Access: Subscribership as of December 31, 2000* Industry Analysis Division, Common Carrier Bureau, FCC Aug 2001. Table 3.

⁷ *Residential Broadband Customer Count Tops 10 Million*, CABLE DATACOM NEWS, September 2001.

80%. SBC's goal is to provide DSL capability to about 80% of its wireline customers, and ultimately to make the service available to tens of millions of Americans (more than a quarter of the U.S. population). In addition, SBC has been working on plans to utilize a broadband passive optical network (BPON) that would eliminate the speed-and-distance limitations on DSL by bringing fiber optics directly to the home. Project Pronto and BPON deployment will substantially enhance competition.

Similarly, satellite and fixed wireless providers are deploying new facilities to support broadband competition. Satellite providers have experienced rapid growth since launching two-way Internet access in late 2000. As of the second quarter 2001, satellite providers had 114,000 residential consumers in the US, an increase of 52% over the first quarter of 2001.⁸ The Yankee Group predicts that satellite broadband will reach 300,000 residential subscribers in the U.S. by the end of this year and will grow to 4.5 million subscribers by the end of 2005.⁹ It also predicts that satellite could become the strongest broadband competitor in rural markets where cable modem and DSL are unavailable.¹⁰

⁸ *Telecommunications Report International's Online Census: Number of Onlines Users in the U.S. Reaches 70.7 Million, But Changes Loom*, PR NEWswire August 8, 2001.

⁹ Imran Khan, Michael Goodman and Rob Lancaster, The Yankee Group Report, *Cable Modem Providers Continue to Lead the High-Speed Internet Charge: The Yankee Group's Predictions on Consumer Broadband Services* August 2001.

¹⁰ Satellite providers can potentially serve about 90 million households with broadband Internet access and the Yankee Group. The two main satellite companies, Starband and Hughes DirecPC, offer service in the residential market, whereas two other providers, Loral CyberStar and Lockheed Martin, target large enterprises and global corporations. Other satellite companies, such as Wildblue, are constructing broadband communications satellites and plan to offer service in 2002 and 2003.

Fixed wireless providers also announced new products and significant service deployments in 2000.¹¹ Large, well-financed companies such as WorldCom, Sprint and AT&T Wireless have invested significantly in fixed wireless and will likely continue to drive growth in this market.¹²

We are, however, currently in a down period between expansions. Deployment of broadband infrastructure in particular has slowed dramatically, with disastrous consequences for manufacturers and their employees. Overall, average weekly residential broadband subscriber additions fell 21% from 119,000 in the first quarter to under 94,000 in the second quarter of this year.¹³ Cable fared better than DSL in the second quarter downturn, as cable modem additions dropped by 12.1% to 884,361, while residential DSL additions plummeted 40% to 336,976.¹⁴

It is the deployment of new facilities by cable companies, fixed wireless providers, satellite providers and the ILECs, that is necessary to support the growth of broadband service. And it is the investment decisions that local exchange carriers are making right now and will

¹¹ Fixed wireless uses various spectrums in the US. The MMDS spectrum has a relatively quick deployment time and has the ability to serve customers over a 30-mile radius from a roof top antenna. Other options include LMDS and unlicensed spectrum. Residential subscriber numbers for the various spectrums are not generally available; however, Sprint reported 40,000 residential fixed wireless subscribers as of the second quarter of 2001. *U.S. High-Speed Sub. Count Reaches Eight Mil.* BROADBAND-DAILY.COM, August 14, 2001. Major fixed wireless providers targeting the residential market include: AT&T Digital Broadband, Sprint Broadband Direct, and WorldCom. Additionally, there are a number of providers targeting the business market including AirBand Communications, Kite Networks, Nucentrix, Winstar, and XO Communications.

¹² *While Cautious, Forecasts are Generally Upbeat*, BROADBAND WIRELESS BUSINESS MAGAZINE, April 23, 2001.

¹³ *Residential Broadband Customer Count Tops 10 Million*, CABLE DATACOM NEWS, September 2001.

¹⁴ *Id.*

continue to make in the future that will determine whether DSL fulfills its potential as a viable competitive alternative to cable modem service.

II. FCC Actions to Accelerate Deployment

The FCC is in a unique position to assist in accelerating the deployment of advanced services because, as the FCC has emphasized, it “is the only agency with jurisdiction over all of the current providers of broadband technology – cable operators, wireline telephone companies, providers of wireless telecommunications services, and satellite communications firms.”¹⁵ This industry needs, in the words of Chairman Powell, a “consistent and principled” approach that “harmonize[s] regulatory treatment in a manner consistent with converged technology.”¹⁶

The Commission must take quick and decisive action to establish a comprehensive, technology-neutral, and deregulatory policy for the provision of advanced services. Such a policy will unleash market forces and encourage investment by: (1) increasing stability and certainty for investors; (2) eliminating asymmetric regulations that distort the operation of a competitive market; and (3) eliminating rules that retard investment by ILECs by increasing the cost and decreasing the return on their investment.

A. Regulatory Stability is Essential

This Commission has properly recognized that “regulatory stability” is necessary to “encourage investment in all types of high-speed networks and innovation in high-speed

¹⁵ Brief of the FCC as Amicus Curiae, at 29, *AT&T Corp. v. City of Portland*, No. 99-35609 (9th Cir., filed Aug.16, 1999)

¹⁶ Michael K. Powell, Commissioner, Federal Communications Commission, Remarks before the Progress & Freedom Foundation, Washington, D.C. (Dec.8, 2000)(emphasis added).

services.”¹⁷ The reason is simple: investors and corporate managers cannot determine whether they will earn a sufficient return on an investment if regulatory issues that could have a significant effect on the costs and revenues from the investment remain unsettled. SBC recognizes, of course, that, both as a matter of law and public policy, certain regulatory requirements must be revisited. For example, requirements that are designed to address market failure must be relaxed or eliminated as competition takes hold. To retain regulation under those circumstances is contrary to the public interest. In the advanced services market, though, the Commission has yet to establish *any* coherent overarching regulatory framework. It has proceeded on a piece-meal, ad hoc basis, and has continued to inject uncertainty even with respect to issues – such as unbundling of packet switching functionality – that were seemingly resolved.

In addition to questioning its rules with respect to the unbundling of packet switching functionality, the Commission has sought comment on such issues as: requiring a UNE platform for data, requiring CLECs and ILECs to share the same fiber feeder between a Central Office and a Remote Terminal, treating remote terminals as central offices for purposes of collocation and access to UNEs, permitting CLECs to collocate their own line cards, redefining the sub-loop UNE to account for next generation technologies and architectures, and requiring OSS modifications by the ILECs to ensure nondiscriminatory access by CLECs to fiber feeder and subloops.¹⁸

¹⁷ *In the Matter of Inquiry Concerning High-Speed Access to the Internet Over Cable and Other Facilities*, Notice of Inquiry, 15 FCC Rcd 19287 (2000) (“Cable NOI”) ¶2.

¹⁸ *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order on Reconsideration in CC Docket No. 98-147; Fourth Report and Order on Reconsideration in CC Docket No. 96-98; Third Further Notice of Proposed

The uncertainty with respect to these matters casts a cloud on incumbent LECs that are considering new broadband investment. Worse yet, in the face of Commission inaction, states have stepped into the vacuum and resolved these issues on their own – in some cases establishing unbundling and collocation requirements that are directly contrary to the goals of Section 706.

If the Commission is to promote widespread deployment of advanced services, it needs to create a regulatory climate that encourages investment. Investment in any new, costly technology is inherently risky. The widespread deployment of DSL infrastructure is particularly risky. No one knows for sure the extent to which consumers will use DSL service, and no one can anticipate in advance the extent to which roll-out will be complicated by unanticipated technical and operational problems that often accompany the deployment of a new service. Moreover, no one can be sure, even as they deploy this new service, that technological advances will not render their investment obsolete before they have recovered its costs.

In the absence of clear rules telephone companies have no choice but to put on hold the large-scale deployment of the next generation of advanced network technologies and services. A comprehensive, symmetrical, deregulatory framework for advanced services will, among other things, eliminate regulatory uncertainty that chills investment.

Rulemaking in CC Docket No. 98-147; Sixth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, 16 FCC Rcd 2101 (2001) ; *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Order on Reconsideration and Second Further Notice of Proposed Rulemaking in CC Docket No. 98-147 and Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, 15 FCC Rcd 17806(2000).

B. Regulatory Policy Must be Symmetrical

The Commission, Department of Justice, and the FTC, have all recognized that the broadband market is a separate and distinct market in which cable modem service, DSL service, fixed wireless service, and satellite access service provide the *same* high speed Internet access and offer the *same* residential and business consumers the *same* advanced and high-speed data services.¹⁹ Unfortunately, the rules and regulations that apply to the provision of advanced services by the cable industry, ILECs, fixed wireless and satellite companies are entirely different.

The cable industry is essentially unregulated in the provision of cable modem service. Cable modem providers are not required to file tariffs, nor interconnect with their competitors, *nor* unbundle their facilities and make them available to competitors, *nor* provide collocation space to their competitors, *nor* resell their services to competitors, *nor* provide advanced services through a separate subsidiary. Moreover, the cable industry is not currently required to give its customers a choice of an Internet service provider. This unparalleled ability of the major cable providers to control both the means of access to the Internet, combined with its control of the content that is delivered to consumers provides it with an enormous competitive advantage in the marketplace.

¹⁹ *In the Matter of Rulemaking to Amend Parts 1, 2, 21, and 25 of the Commission's Rules to Redesignate the 27.5-29.5 GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and Policies for Local Multipoint Distribution Service and for Fixed Satellite Services*, Third Report and Order and Memorandum Opinion and Order, 15 FCC Rcd 11857, 11867, (2000) at ¶23; *In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp.*, Memorandum Opinion and Order, 15 FCC Rcd 9816, 9866 (2000) at ¶ 116; Competitive Impact Statement at 9, *United States v. AT&T Corp. and MediaOne Corp.*, Civ. No. 00-CV-1176

This is in stark contrast to the telephone industry, where the ILECs are subject to pervasive regulation even with respect to new technology – not part of their legacy networks – by which they seek to deliver advanced services to a broader array of consumers. The ILECs are subject to the full panoply of Title II common carrier regulation in their provision of broadband Internet access, including, even, tariff requirements. In addition, the ILECs are subject to interconnection, unbundling, resale and collocation requirements – none of which apply to their cable competition.

This asymmetry is particularly irrational given that cable companies are the largest providers of broadband today and continue to retain their lead over DSL. As stated above, the cable industry had a “head start” in the process and it is now far ahead of the ILECs in terms of actually serving customers. As of the second quarter of 2001, Cable Datacom News reported 5.95 million residential U.S. cable modem subscribers. In contrast, DSL has a residential subscriber base of about 2.48 million. Cable executives recognize and relish their advantage and boast that they are “beating DSL 80% of the time” in their franchise area.²⁰

Leading cable analysts predict that cable will exploit its first mover advantage to keep its lead through the middle of the decade. Douglas Shapiro of Banc of America Securities sees cable modems ending up in 18.8 million homes by 2005, compared with 13.9 million DSL installations.²¹ And the Yankee Group predicts that cable modems will hold an even wider advantage over DSL – 15.7 million to 10.5 million – in 2005.²² Despite this clear evidence that

²⁰ Jonathan R. Laing, *Get Wired – Why cable will beat the Bells in the race to wire your home*, BARONS, August 20, 2001.

²¹ *Id.*

²² *Id.* See, also, Attachment B, summarizing the various analyst projections that cable will continue to be the leading provider of advanced services through 2005.

DSL is trailing far behind cable, telephone companies are regulated to the hilt, while other service providers – the dominant cable providers in particular – are left alone.

It is long past time for the Commission to eliminate these disparities. Under an asymmetric regulatory scheme, the regulators, not the marketplace, determine the winners or losers. That current skewed structure of regulation significantly affects the growth of the services and the availability of choice. As Chairman Powell has stated, the Commission must “work to harmonize regulatory treatment in a manner consistent with converged technology and markets Additionally, we must recognize that the Digital Migration involves every segment of the communications industry (i.e., telephone, cable, broadcast, wireless, and satellite) and *none should be examined in isolation*.”²³ By making Chairman Powell’s insight the governing insight for the regulation of the broadband market, the Commission will create the right environment where the market, and not regulators, will determine winners and losers.

C. ILEC Advanced Telecommunications Services Should Not Be Subject to Unbundling Requirements

The Commission stands at a precipice. For years, it has spoken of its commitment to a hands-off policy. Chairman Powell in particular has explained that “restraint should be the watchword for governments in any new economy driven by unrelenting currents of technological change and innovation, such as communications and advanced services.”²⁴ Indeed, earlier this year, Chairman Powell stressed that under his leadership the Commission would “place much greater emphasis on the importance of deregulation” and would “understand” that regulations in

²³ Michael K. Powell, Commissioner, Federal Communications Commission, Remarks before the Progress & Freedom Foundation, Washington, D.C. (Dec.8, 2000)(emphasis added).

²⁴ Michael K. Powell, Commissioner, Federal Communications Commission, Remarks before the Federal Communications Bar Association (Chicago Chapter), Chicago, Illinois (June 15, 1999).

evolving markets “need to be removed or altered in a way that will provide better incentives, lower cost structures, less distortion, so that companies can actually take advantage of the marketplace.”²⁵

But at the same time it has paid lip-service to deregulation and market-based solutions, the Commission has adopted more and more intrusive regulation of broadband facilities and services – so long as they are owned or provided by ILECs, and not the cable companies that remain the dominant player in this market. Despite the fact that ILECs are only a *secondary* market player in this industry, ILECs are required to unbundle the wireline spectrum they use for broadband, provide unbundling over existing facilities and new facilities deployed in the future, provide operation support services to competitors using a UNE platform to provide both voice and DSL services over the same loop (line splitting), and collocate equipment in their premises. As a result, the ILECs face onerous and costly regulatory requirements while cable providers have none of the costs associated with regulation of broadband services.

Compounding this problem is the fact that, even without additional regulatory costs, ILECs are at a disadvantage as they attempt to catch up to their cable competitors. According to analyst reports, the costs of deploying DSL service exceed the costs of deploying cable modem service. For example, an analysis by JP Morgan and McKinsey & Company concludes that DSL providers face incremental costs of \$792 per customer, while cable modem providers face an incremental cost of only \$468.²⁶ That same study concludes that the average cost per customer

²⁵ Interview with FCC Chairman Michael Powell, CNBC/Dow Jones Business Video (Feb. 9, 2001).

²⁶ J.P. Morgan Securities, Inc. and McKinsey & Company, *Broadband 2001 – A Comprehensive Analysis of Demand, Supply, Economics, and Industry Dynamics in the U.S. Broadband Market*, April 2, 2001, at Charts 43 and 44.

of a large ILEC undertaking a massive DSL deployment is currently \$86 per month per customer.²⁷ That cost, they conclude, will decline by 2005 to \$38 per month per customer. In contrast, the average, per-customer cost of providing cable modem service is estimated to be \$55, declining by 2005 to \$30.²⁸ At no point during the next four years is the average cost of providing DSL service less than the average cost of providing cable modem service. To the contrary, the costs of cable modem providers remain substantially lower throughout the period. Thus, the Yankee Group has predicted that “cable modem prices are likely to remain cheaper than DSL prices for comparable service levels due mainly to the low service provision costs on the part of MSOs.”²⁹

SBC has already seen in Illinois that when the high cost of deployment was compounded by the high cost of regulation, it priced DSL Internet services right out of the market. SBC had planned to spend \$519 million on Project Pronto in Illinois. The Illinois Commerce Commission recently imposed, *inter alia*, “unbundling” requirements for Project Pronto’s DSL facilities and “collocation” of CLEC line cards inside new Project Pronto advanced services equipment located in remote terminals.³⁰

²⁷ *Id* at Chart 45.

²⁸ *Id* at Chart 46.

²⁹ Imran Khan, Michael Goodman and Rob Lancaster, The Yankee Group Report, *Cable Modem Providers Continue to Lead the High-Speed Internet Charge: The Yankee Group’s Predictions on Consumer Broadband Services*, August 2001.

³⁰ State of Illinois – Illinois Commerce Commission Order in Proceeding No. 00-0393: *Illinois Bell Telephone Company – Proposed Implementation of High Frequency Portion of Loop (HFPL)/Line Sharing Service*, March 14, 2001.

SBC estimates that it would cost between an additional \$140 and \$200 million just to make OSS-related changes to implement the Order, and as much as an additional \$500 million or more to replace the stranded capacity that could result from inefficient and unintended uses of the Pronto DSL facilities. In addition, these costs would so increase the cost of providing the UNEs to CLECs as to make the use of the UNEs cost prohibitive for all CLECs (including SBC's) that want to compete with cable modem providers or other advanced services providers in the price-sensitive competitive market for high speed Internet access. If that were to occur, CLECs would not use the costly OSS additions or alleged new UNEs and SBC would have no opportunity to recover the costs of its investment. As a result of this Order, SBC has ceased deployment of DSL-related Project Pronto facilities in Illinois. It has done so reluctantly because this simply solidifies the head start of cable modem providers and harms consumers who cannot now buy DSL service from either SBC or a CLEC.

The impact of these costs along with the illogical disparity in regulatory treatment cannot be overstated. As the Managing Director of Lehman Brothers recently observed: "It's no surprise that cable, which is nearly totally deregulated, has more than twice the penetration of RBOCs" in broadband services. The RBOCs are forced to jump through a lot of regulatory hoops."³¹ Similarly, Scott Cleland, Percusor Group Chief Executive Officer, termed the Commission's unbundling requirements "a monster problem of seriously wrong policy and economics . . . that offers Bells no incentive to deploy new network elements."³² And as Justice Breyer said: "[n]or can one guarantee that firms will undertake the investment necessary to produce complex

³¹ *Wall St. Appears to Favor Broadband Duopoly*, COMMUNICATIONS DAILY July 25, 2001, at 4.

³² *Id.*

technological innovations knowing that any competitive advantage deriving from those innovations will be dissipated by the sharing requirement.” *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 429 (1999) (“IUB II”) (Breyer, J., concurring in part and dissenting in part). By eliminating ILEC broadband regulation the Commission will ensure increased broadband services for millions of Americans.

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**Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory
Residence and Business High-Speed Access to Internet Service Providers***

State	Region	Cable Modem Providers	DSL Providers	Fixed Wireless Providers
Arkansas	SWBT	Cox Communications Comcast Communications	Alltel SBC/ASI	N/A
California	PAC	AT&T Broadband Charter Communications Comcast Cox Communications Time Warner	Covad DSLi Earthlink Genuity Focal Juno Express InternetConnect Rhythms SBC/ASI SpeakEasy Sprint ION Telocity Verizon	AT&T Digital Broadband Sprint Broadband Direct Teligent XO Communications
Connecticut	SNET	AT&T Broadband Cablevision Charter Communications Comcast Cox Communications	Choice One Covad DSLi Genuity InternetConnect Juno Express SBC/ASI SpeakEasy Telocity Verizon	Teligent XO Communications
Illinois	AIT	AT&T Broadband Insight	Choice One Covad DSLi Earthlink Genuity Focal Juno Express	Sprint Broadband Direct Teligent XO Communications

Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory

			InternetConnect Rhythms SBC/AADS SpeakEasy Telocity Verizon	
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Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory
Residence and Business High-Speed Service Providers

State	Region	Cable Modem Providers	DSL Providers	Fixed Wireless
Indiana	AIT	Comcast Insight	Choice One Covad Earthlink Genuity Juno Express Rhythms SBC/AADS SpeakEasy Telocity	Teligent XO Communications
Kansas	SWBT	Comcast Cox Communications	Birch Earthlink InternetConnect SBC/ASI SpeakEasy Sprint ION	Sprint Broadband Direct Teligent XO Communications
Michigan	AIT	Adelphia AT&T Broadband Comcast	Choice One Covad DSLi Earthlink Genuity Focal Juno Express InternetConnect Rhythms SBC/AADS SpeakEasy Telocity Verizon	Teligent Sprint Broadband Direct XO Communications

Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory

State	Region	Cable Modem Providers	DSL Providers	Fixed Wireless
Missouri	SWBT	AT&T Broadband Charter Communications Comcast Cox Communications	Birch Covad DSLi Earthlink Focal Genuity InternetConnect Juno Express SBC/ASI SpeakEasy Sprint ION Telocity Verizon	Clearwire Teligent XO Communications
Ohio	AIT	Adelphia AT&T Broadband Cox Communications Insight Time Warner	Choice One Covad DSLi Earthlink Focal InternetConnect Juno Express Rhythms SBC/AADS SpeakEasy Telocity Verizon	Teligent XO Communications
Oklahoma	SWBT	Cox Communications	Birch Covad Earthlink SBC/ASI	Sprint Broadband Direct
Nevada	PAC	Cox Communications	SBC/ASI SpeakEasy	N/A

Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory

		Earthlink	
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State	Region	Cable Modem Providers	DSL Providers	Fixed Wireless
Texas	SWBT	AT&T Broadband Time Warner	Birch Covad DSLi Earthlink Focal Genuity Grande Communications InternetConnect Juno Express Rhythms SBC/ASI SpeakEasy Sprint ION Telocity Verizon	Air2LAN Airband Communications AT&T Digital Broadband Clearwire Nucentrix Sprint Broadband Direct Teligent XO Communications
Wisconsin	AIT	Time Warner	Choice One (business) Covad DSLi Earthlink Genuity Interconnect Juno Express Rhythms SBC/AADS SpeakEasy Telocity Verizon	Teligent XO Communications

Attachment A: Providers of High-Speed Access Services to Internet in the SBC 13 State Territory
The Following Satellite Providers Offer Service Nationwide

Starband* (Owned by Gilat, Echostar, and Microsoft)	Hughes DirecPC
<i>MSN Satellite</i> Bundles Starband through purchase of PC from Radio Shack	<i>Pegasus</i> Reseller of DirecPC
<i>Echostar</i> Retailer of Starband	<i>Earthlink Satellite</i> Reseller of DirecPc
*not available in Hawaii, & Puerto Rico	AOL Plus Reseller of DirecPC

- The high-speed broadband market is experiencing abundant competition and growth. There are many competitors of SBC successfully winning customers and offering DSL and other similar services within the 13-state SBC territory.
- In the 13-state territory, SBC is competing with approximately 16 other competitors within the DSL market, in addition to competing with 7 other cable modem providers for high-speed access to the Internet service.
- Fixed Wireless is another competitive alternative to DSL and cable modem service. Many fixed wireless providers are investing over 4 billion to serve residences and small-to-medium businesses with wireless broadband applications.
- Satellite Providers are offering nationwide service for high-speed access to the Internet. This deployment of satellite service reaches approximately 90 million households offering high-speed Internet access.

**ATTACHMENT B:
SUMMARY OF INDUSTRY ANALYSIS
PROJECTIONS OF SUBSCRIBERSHIP TO CABLE MODEM
SERVICE VERSUS DSL SERVICE**

Information source:	2000	2001	2002	2003	2004	2005
Forrester (10/00)						
Cable Modem Subscribers (millions)	3.74 (75%)	7.76 (72%)	11.42 (63%)	15.81 (61%)	19.43 (58%)	22.42 (58%)
DSL Subscribers (million)	1.25 (25%)	2.96 (28%)	6.61 (37%)	10.07 (39%)	14.06 (42%)	17.75 (44%)
TOTAL	4.99	10.72	18.03	25.88	33.49	40.17
Yankee Group (3/01)						
Cable Modem Subscribers (millions)	3.7 (69%)	6.2 (69%)	8.6 (66%)	10.9 (63%)	13.1 (61%)	15.1 (59%)
DSL Subscribers (millions)	1.7 (31%)	2.8 (31%)	4.5 (34%)	6.3 (37%)	8.4 (39%)	10.5 (41%)
TOTAL	5.4	9.0	13.1	17.2	21.5	25.6
Gartner Dataquest (6/00; pub. 12/00)						
Cable Modem Subscribers (millions)	3.35 (69%)	5.87 (66%)	8.80 (62%)	11.45 (60%)	13.74 (58%)	n/a
DSL Subscribers (millions)	1.49 (31%)	3.00 (34%)	5.32 (38%)	7.52 (40%)	9.81 (42%)	n/a
TOTAL	4.84	8.87	14.12	18.97	23.55	
Jupiter (00Q4)						
Cable Modem Subscribers (millions)	3.38 (74%)	5.54 (69%)	7.87 (64%)	10.12 (60%)	12.09 (57%)	13.84 (54%)
DSL Subscribers (millions)	1.19 (26%)	2.53 (31%)	4.44 (36%)	6.76 (40%)	9.29 (43%)	11.76 (46%)
TOTAL	4.57	8.07	12.31	16.88	21.38	25.6